

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6352

BILL NUMBER: HB 1412

DATE PREPARED: Nov 20, 2000

BILL AMENDED:

SUBJECT: Property Tax Budgets of Appointed Local Boards.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the proposed property tax levy of all governing bodies that are currently approved by an appointive body to be subject to the review and approval of an appropriate elected fiscal body if the lesser of 250 or 10% of owners of real property within a taxing unit file a petition requesting the review and approval.

The bill removes the exceptions in current law for budgets of appointed school corporations and public libraries and for governing bodies budgeting a tax levy increase of less than 5% of the prior year's levy. It removes a restriction that prevents a fiscal body from reducing the proposed tax levy to an amount that is less than the maximum permissible levy increase under property tax controls.

Effective Date: Upon passage.

Explanation of State Expenditures: If levies are reduced below the maximum levy as explained below in local revenues, then the state would realize a savings equal to 20% of the reduction below the maximum permissible levy. This savings would come from a reduction in the payment of property tax replacement credits (PTRC). PTRC is paid from the Property Tax Relief Fund which is annually supplemented by the state General Fund. Therefore, if there are any PTRC savings, it would ultimately benefit the General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, fiscal bodies of cities, towns, and counties must review and adopt budgets and tax levies for taxing units that (a) are not comprised of a majority of officials who are elected to serve on the governing bodies and (b) are proposing an increase in the tax levy that is greater than 5%. This provision does not currently apply to school boards or library boards. The fiscal bodies that review

and adopt the budgets are prohibited from reducing the proposed tax levy to an amount that is less than the maximum levy.

Under this proposal, all budgets proposed by appointed governing bodies would have to be reviewed by elected fiscal bodies if a petition is filed by the lesser of 250 or 10% of the owners of the property within the taxing unit. This provision would apply regardless of the amount of the levy increase and it would include library boards and appointed school boards as well. Currently, 19 of the 294 total school boards are comprised of appointed members. This bill would also allow the elected fiscal bodies to reduce the levy to an amount that is less than the maximum levy.

Upon petition of the property owners, this provision would add the direct review of an elected body when adopting a library or school (with an appointed board) budget and levy. The bill could also add more scrutiny over the budgets of all other appointed governing bodies' budgets where levy increases are equal to 5% or less. Under this bill, the review would no longer be automatic for those taxing units where the levy increase is greater than 5%. These units would instead be subject to the petition procedure.

The added review and the provision that would allow the elected bodies to reduce the appointed bodies' levies below the maximum levy could slow the growth of, or reduce, some levies. A reduction of the property tax levy would mean a reduction of revenues for the taxing unit.

State Agencies Affected:

Local Agencies Affected: All taxing units with appointed governing bodies.

Information Sources: